

## OGC Has Reviewed

OGC 73-2202

27 November 1973

MEMORANDUM FOR: Chief, East Asia Logistics

SUBJECT : Price Increase of Employee's Insurance  
for Stored Household Effects

REFERENCE : Dispatch [REDACTED] dtd 13 Nov 73 to  
C/EA fr [REDACTED]

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1. [REDACTED] of your staff requested the opinion of this Office as to the legality of the price increase of an employee's insurance for his stored household effects. As documented in referent cable and from further discussions it appears that the employee, who is stationed overseas, received notification from the storage company that his quarterly premium for \$20,000 of insurance coverage would increase from \$24 to \$90 effective 1 September 1973.

2. On 13 June 1973 the President signed Executive Order 11723 which froze the prices of all commodities and services offered for sale except raw agricultural products. This freeze was to be effective until 12 August 1973. The freeze was modified for the food industry by Executive Order 11730 (dtd 18 July 1973), but the freeze on the other sectors of the economy continued through 12 August; however, the freeze was not continued past that date.

3. Pursuant to the authorities set forth in the Economic Stabilization Act of 1970 (P. L. 91-379), as amended, Economic Stabilization Regulations have been published in Chapter I of Title 6 of the Code of Federal Regulations. Phase IV Price Regulations, which came into effect on 12 August 1973, are contained in Part 150, thereof. Subpart D of Part 150 lists a number

of items which are exempt from the price adjustment requirements established by the regulations. Section 150.53(b) specifically exempts insurance premiums charged for all kinds of reinsurance. We should note, however, that with respect to the exemptions, Section 150.51 does state:

However, revenues received from the sale of exempt items or from exempt sales are included in a firm's annual sales or revenue ...for all purposes including...computing profit margin.

Section 150.11 establishes certain profit margin limitations for firms; however, it excludes a firm

...which during its most recent fiscal year derived both (1) 90 percent or more of its annual sales or revenue from the sales of exempt items or exempt sales and (2) less than \$50 million of its annual sales and revenues from the sale or lease of non-exempt items....

Thus, if the employee contracts with the storage company for the insurance such company may be subject to the profit margin limitation if that company is not excluded by the above-cited criteria. Likewise, if the employee contracted directly with an insurance company it may be subject to the profit margin limitation. However, lacking these two limitations, we see no legal prohibition to the increase. As we have discussed with [REDACTED], the most practical remedy in this situation appears to be to suggest to the employee that he seriously consider obtaining the insurance elsewhere as other insurance company rates appear to be much less than the rates of the storage company.

[REDACTED]

Office of General Counsel

OGC:JED:cap

Original - Addressee

1 - OGC Subj: INSURANCE

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# DISPATCH

CLASSIFICATION

S E C R E T

PROCESSING ACTION

MARKED FOR INDEXING

NO INDEXING REQUIRED

ONLY QUALIFIED DESK  
CAN JUDGE INDEXING

MICROFILM

TO Chief, East Asia Division

INFO.

FROM

Chief of Station [REDACTED]

SUBJECT

ADMIN/LOGS - Insurance Rates on Stored Household Effects

ACTION REQUIRED - REFERENCES

1. When [REDACTED] departed Headquarters in June 1970, for PCS to [REDACTED] his household effects were placed in storage with the Fidelity Storage Corp. (P.O. Box 10257, Alexandria, Va. 22310), an Organization-recommended firm. The Customer Lot Number is [REDACTED]

2. Fidelity has just notified [REDACTED] that the insurance charges on the stored goods have more than trebled, i.e., the premium has gone from \$24 per quarter to \$90 for the same period. This represents an increase in excess of 300% and we wonder whether this increase is subject to price control and is it compatible with insurance rates charged by competing storage firms also doing business with and recommended by the organization.

3. We would appreciate your advice as to whether the aforementioned increase in the insurance premium is legitimate. Also, please advise whether insurance on stored goods must be purchased from the storage firm, or may it be independently secured elsewhere.

*From \$.40 per thousand dollar valuation  
TO \$1.50 " "  
From \$24 per quarter  
TO \$90.00 " "*

Distribution

2- Chief, East Asia Division

CROSS REFERENCE TO

DISPATCH SYMBOL AND NUMBER

DATE

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75-00793R000300120001-3

13 November 1973

CLASSIFICATION

HQS FILE NUMBER

S E C R E T

25X1A

TRANSMITTAL SLIP		
TO: [REDACTED]		
ROOM NO. 7D01	BUILDING Hqs	
REMARKS: <i>Attached Copy in for your retention, per our telecon</i>		
FROM: [REDACTED]		
ROOM NO. 4E21	Hqs	EXTENSION 1867
FORM NO. 241 1 FEB 55		REPLACES FORM 36-8 WHICH MAY BE USED.

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NOTE ATTACHED TO DISPATCH

# OUTGOING TELEPOUCH

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CLASSIFICATION

SECRET

MESSAGE HANDLING INDICATOR

TELEPOUCH

DATE - TIME GROUP

DISPATCH NUMBER

75-17340

OGC SUBJ: INSURANCE  
JSW/JED

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0 IP FILES

E 2 IMPDET  
CL BY: 060557

TO

SECRET TELEPOUCH

DISP NO:

DATE: 29 NOVEMBER 1973

TO: CHIEF OF STATION

FROM: CHIEF, EAST ASIA DIVISION

SUBJECT: ADMIN LOGS PERS - INSURANCE RATES ON  
STORED HME

REF:

1. FIDELITY STORAGE CORP. ADVISES THAT AS OF 1 SEPTEMBER 1973 INSURANCE RATES WERE INCREASED FROM \$.40 TO \$1.50 PER THOUSAND DOLLAR VALUATION PER MONTH (FROM \$24 TO \$90 PER QUARTER). HOWEVER, AFTER VOICING OUR CONCERN ABOUT THIS EXCESSIVE INCREASE, FIDELITY STORAGE CORP. ADVISES THAT THE RATES WILL BE REVISED DOWNWARD FOR OUR EMPLOYEES. WE WILL ADVISE THE NEW RATE WHEN OBTAINED. FIDELITY WILL ALSO ADVISE OF THE REVISED RATES BY DIRECT MAIL.

2. OUR RESEARCH, AS TO LEGALITY OF THE INCREASE, REVEALS THAT THE INCREASE IS LEGAL. ALSO, WE HAVE FOUND THAT INSURANCE RATES VARY

DATE: 29 NOVEMBER 1973  
ORIG: [REDACTED]  
UNIT: 000/EA/LOGS  
EXT: 5596

COORDINATING OFFICERS TELECON

IP USE ONLY

OP/CPD - [REDACTED]

OGC - [REDACTED] (TELECON)

RELEASING OFFICER  
CLASSIFICATION

SECRET

CROSS REFERENCE

FILE NUMBER

NONE

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# OUTGOING TELEPOUCH

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OGC SUBJ: INSURANCE  
JSW/JED

TELEPOUCH

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CL BY: 360557

WITH DIFFERENT INSURANCE AND STORAGE COMPANIES. ALSO, INFORMED BY AN INSURANCE AGENT THAT RATES VARY AS TO SPECIFIC LOCATIONS WHERE EFFECTS ARE STORED. FYI - [REDACTED] EFFECTS ARE STORED WITH FIDELITY STORAGE CORP. AT 6308 GRAVEL AVENUE, FRANCONIA, VA. MERCHANT STORAGE CO. ADVISES THAT THE RATE FOR EFFECTS STORED BY THEM IN HYATTSVILLE, MD. IS \$1 PER THOUSAND DOLLAR VALUATION PER MONTH AND FOR EFFECTS STORED IN ALEXANDRIA, VA. THE RATE IS \$.55 PER THOUSAND DOLLAR VALUATION PER MONTH. HOWEVER, WE CONTACTED AN AGENT WITH THE SAME INSURANCE COMPANY (FIREMAN'S FUND) WHO UNDERWRITES MERCHANT'S POLICIES AND WAS QUOTED A MUCH LOWER PREMIUM RATE. THE AGENT WAS WHITEHEAD ASSOCIATES, INC., SUITE 502, 320 KING STREET, ALEXANDRIA, VA. 22314. RATE QUOTED WAS \$3.68 PER THOUSAND DOLLAR VALUATION PER YEAR. POLICY MUST BE WRITTEN FOR ONE YEAR OR THREE YEARS, RENEWABLE AT END OF EACH PERIOD.

3. WE SUGGEST THAT [REDACTED] CORRESPOND DIRECTLY WITH WHITEHEAD ASSOCIATES BY APO FOR FURTHER DETAILS AS TO A POLICY FOR THIS SPECIFIC NEEDS IF HE SO DESIRES. HOWEVER, [REDACTED] MAY PURCHASE INSURANCE FROM ANY COMPANY OF HIS CHOICE. E2 IMPDET.

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